



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE October 15, 2008

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on the City of Van Meter, Iowa.

The City's receipts totaled \$1,214,232 for the year ended June 30, 2008. The receipts included \$260,073 in property tax, \$63,600 from tax increment financing, \$347,101 from charges for service, \$151,592 from operating grants, contributions and restricted interest, \$239,204 from capital grants, contributions and restricted interest, \$120,253 from local option sales tax and \$32,409 from unrestricted interest on investments.

Disbursements for the year totaled \$1,415,757, and included \$455,899 for capital projects, \$182,790 for culture and recreation and \$150,643 for public works. Also, disbursements for business type activities totaled \$253,256.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

# # #



**CITY OF VAN METER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

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**City of Van Meter**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
John Seefeld	Mayor	Jan 2008
Kevin Hess	Mayor Pro tem	Jan 2010
Terry Gillette	Council Member	Jan 2008
Lisa Weiland	Council Member	Jan 2008
Allan Adams	Council Member	Jan 2010
Bob Lacy	Council Member	Jan 2010
Sondra Sittner	City Clerk	Indefinite
John Fatino/Erik Fisk	Attorney	Indefinite
<b>(After January 2008)</b>		
Fred Scaletta	Mayor	Jan 2012
Allan Adams	Mayor Pro tem	Jan 2010
Kevin Hess	Council Member	Jan 2010
Bob Lacy	Council Member	Jan 2010
Monica Reicks	Council Member	Jan 2012
Kimberly Sacker	Council Member	Jan 2012
Sondra Sittner	Clerk/Treasurer	Indefinite
John Fatino/Erik Fisk	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Van Meter's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

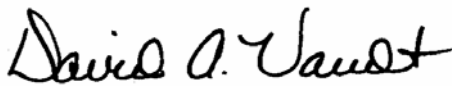
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the fund balance at July 1, 2007, as discussed in the proceeding paragraph. the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

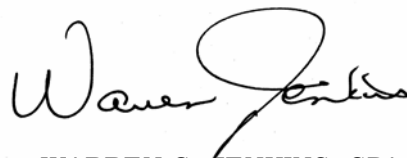
In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2008 on our consideration of the City of Van Meter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Van Meter's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 3, 2008



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Van Meter provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets decreased 18.4%, or approximately \$202,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$183,000 and the assets of the business type activities decreased approximately \$19,000
- The cash basis net assets for the City's governmental funds decreased due primarily to the bridge replacement project.
- The cash basis net assets for the City's business type activities decreased due to capital improvement projects which included scheduled improvements to the ground storage water tank.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

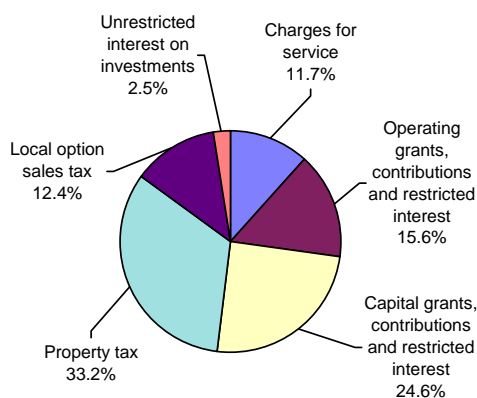
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

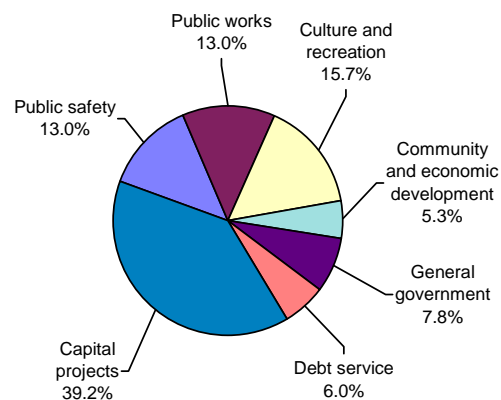
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$851,818 to \$668,991. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 113,668
Operating grants, contributions and restricted interest	151,592
Capital grants, contributions and restricted interest	239,204
General receipts:	
Property tax	323,673
Local option sales tax	120,253
Unrestricted interest on investments	23,959
Total receipts	<u>972,349</u>
Disbursements:	
Public safety	150,581
Public works	150,643
Culture and recreation	182,790
Community and economic development	61,110
General government	91,195
Debt service	70,283
Capital projects	455,899
Total disbursements	<u>1,162,501</u>
Change in cash basis net assets before transfers	(190,152)
Transfers, net	<u>7,325</u>
Change in cash basis net assets	(182,827)
Cash basis net assets beginning of year	<u>851,818</u>
Cash basis net assets end of year	<u>\$ 668,991</u>

Receipts by Source



Disbursements by Function



The cash basis net assets for the City's governmental funds decreased due to the completion of the bridge replacement project.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 112,177
Sewer	121,256
General receipts:	
Unrestricted interest on investments	8,450
Total receipts	<u>241,883</u>
Disbursements:	
Water	142,982
Sewer	110,274
Total disbursements	<u>253,256</u>
Change in cash basis net assets before transfers	(11,373)
Transfers, net	<u>(7,325)</u>
Change in cash basis net assets	(18,698)
Cash basis net assets beginning of year	<u>243,464</u>
Cash basis net assets end of year	<u><u>\$ 224,766</u></u>

The City's cash balance for business type activities decreased from \$243,464 to \$224,766. The decrease was due primarily to significant improvements to the ground storage water tank.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Van Meter completed the year, its governmental funds reported a combined fund balance of \$668,991, a decrease of approximately \$183,000 from last year's total of \$851,818. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$19,572 from the prior year to \$233,473, due partially to scheduled transfers to fund the replacement of vehicles and equipment.
- The Special Revenue, Road Use Tax Fund cash balance increased \$50,921 to \$247,421 during the fiscal year. The cash balance will be utilized for major street improvements.
- The Special Revenue, Local Option Sales Tax Fund remained the same from the previous year.
- The Capital Project Fund cash balance decreased \$270,292 to \$0 during the fiscal year due to the completion of the bridge replacement project.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$30,760 to \$97,648, primarily due to significant improvements to the ground storage water tank.
- The Sewer Fund cash balance increased \$12,062 to \$127,118 due to no improvement projects during the year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on February 11, 2008 and resulted in an increase in receipts related to a bond issue and intergovernmental grant funds for bridge projects and CDBG grant funds for rehabilitation projects. Additionally, the budget amendment resulted in an increase in operating disbursements relating to a housing rehabilitation program and for the purchase of equipment for the water utility, as well as the use of money for debt service and other park and library projects. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$46,154 less than budgeted. This is primarily due to higher than actual estimates the school made for the 28E agreement for local option sales tax. Also, the City budgeted additional amounts for licenses and permits in anticipation of receiving a larger number of building permits due to anticipated growth. Additionally, the amount budgeted for charges for service was less than expected as the City expected increased water and sewer connection fees with anticipated growth, as well as additional areas of the City which were annexed during the year and rates are billed at the lower City rate instead of the rural rate.

The City's disbursements were \$372,032 less than the amended budget, primarily due to the delay of a street construction improvement project until FY 08-09. The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2008 due to not budgeting enough for general obligation urban renewal debt service payments.

## DEBT ADMINISTRATION

At June 30, 2008, the City had \$775,000 in general obligation and other long-term debt outstanding. This represents a decrease from last year. More detailed information about the City's long-term debt is available in Note 3 to the financial statements.

Outstanding Debt at Year-End	
	June 30, 2008
General obligation bonds	\$ 280,000
General obligation capital loan notes	20,000
Urban renewal tax increment financing general obligation (TIF) bonds	350,000
Revenue bonds	125,000
Total	<u>\$ 775,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$650,000 is significantly below its constitutional debt limit of \$2 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Van Meter's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. One of those factors is the economy. In particular, the slow-down in housing construction caused receipts to be less than projected.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2008 compared with the national rate of 3.4%. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2008.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$1.3 million, a decrease of 3.6% from the final 2008 budget. Property tax (benefiting from the 2008 rate increases and increases in assessed valuations) and proceeds from general obligation street improvement bonds are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to carry out a major urban renewal project which includes housing rehabilitation, street improvements and utility system up-grades. Budgeted disbursements are expected to be approximately \$92,000 less than the final 2008 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$244,000 by the close of 2009.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sondra Sittner, City Clerk, 505 Grant Street, P.O. Box 160, Van Meter, Iowa 50261.

## **Basic Financial Statements**

City of Van Meter

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 150,581	12,414	67,166	-
Public works	150,643	3,000	74,193	-
Culture and recreation	182,790	87,566	10,233	-
Community and economic development	61,110	-	-	46,548
General government	91,195	10,688	-	-
Debt service	70,283	-	-	-
Capital projects	455,899	-	-	192,656
Total governmental activities	1,162,501	113,668	151,592	239,204
Business type activities:				
Water	142,982	112,177	-	-
Sewer	110,274	121,256	-	-
Total business type activities	253,256	233,433	-	-
Total	\$ 1,415,757	347,101	151,592	239,204
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(71,001)	-	(71,001)
(73,450)	-	(73,450)
(84,991)	-	(84,991)
(14,562)	-	(14,562)
(80,507)	-	(80,507)
(70,283)	-	(70,283)
(263,243)	-	(263,243)
(658,037)	-	(658,037)
-	(30,805)	(30,805)
-	10,982	10,982
-	(19,823)	(19,823)
(658,037)	(19,823)	(677,860)
255,548	-	255,548
63,600	-	63,600
4,525	-	4,525
120,253	-	120,253
23,959	8,450	32,409
7,325	(7,325)	-
475,210	1,125	476,335
(182,827)	(18,698)	(201,525)
851,818	243,464	1,095,282
\$ 668,991	224,766	893,757
\$ 247,421	-	247,421
95,947	-	95,947
1,045	32,135	33,180
102,218	-	102,218
222,360	192,631	414,991
\$ 668,991	224,766	893,757

City of Van Meter

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2008

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 181,196	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	120,253
Licenses and permits	8,677	-	-
Use of money and property	14,131	-	-
Intergovernmental	30,930	74,193	-
Charges for service	87,679	-	-
Miscellaneous	24,812	-	-
Total receipts	347,425	74,193	120,253
Disbursements:			
Operating:			
Public safety	126,819	-	-
Public works	123,320	23,272	-
Culture and recreation	62,537	-	120,253
Community and economic development	-	-	-
General government	91,195	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	403,871	23,272	120,253
Excess (deficiency) of receipts over (under) disbursements	(56,446)	50,921	-
Other financing sources (uses):			
Operating transfers in	76,018	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	76,018	-	-
Net change in cash balances	19,572	50,921	-
Cash balances beginning of year	213,901	196,500	-
Cash balances end of year	\$ 233,473	247,421	-
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	233,473	-	-
Special revenue funds	-	247,421	-
Total cash basis fund balances	\$ 233,473	247,421	-

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	78,877	260,073
-	63,600	63,600
-	-	120,253
-	-	8,677
6,965	2,863	23,959
192,656	55,963	353,742
-	-	87,679
-	29,554	54,366
199,621	230,857	972,349
-	23,762	150,581
-	4,051	150,643
-	-	182,790
-	61,110	61,110
-	-	91,195
-	70,283	70,283
455,899	-	455,899
455,899	159,206	1,162,501
(256,278)	71,651	(190,152)
-	43,793	119,811
(14,014)	(98,472)	(112,486)
(14,014)	(54,679)	7,325
(270,292)	16,972	(182,827)
270,292	171,125	851,818
-	188,097	668,991
-	1,045	1,045
-	-	233,473
-	187,052	434,473
-	188,097	668,991

**City of Van Meter**

City of Van Meter

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 112,177	121,256	233,433
Operating disbursements:			
Business type activities	142,982	78,027	221,009
Excess (deficiency) of operating receipts over (under) operating disbursements	(30,805)	43,229	12,424
Non-operating receipts (disbursements):			
Interest on investments	3,870	4,580	8,450
Debt service	-	(32,247)	(32,247)
Net non-operating receipts (disbursements)	3,870	(27,667)	(23,797)
Excess (deficiency) of receipts over (under) disbursements	(26,935)	15,562	(11,373)
Operating transfers out	(3,825)	(3,500)	(7,325)
Net change in cash balances	(30,760)	12,062	(18,698)
Cash balances beginning of year	128,408	115,056	243,464
Cash balances end of year	\$ 97,648	127,118	224,766
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	32,135	32,135
Unreserved	97,648	94,983	192,631
Total cash basis fund balances	\$ 97,648	127,118	224,766

See notes to financial statements.

City of Van Meter

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Van Meter is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Van Meter has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. These financial statements present the City of Van Meter (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational of financial relationship with the City.

**Blended Component Unit**

The Van Meter Firefighters Association was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Van Meter Firefighters Association is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Van Meter Firefighters Association is legally separate from the City, its purpose is to benefit the City of Van Meter (the primary government) by soliciting contributions and managing those funds.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and Dallas County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital improvements.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Van Meter maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function.

Also, disbursements exceeded budgeted amounts prior to budget amendment in the community and economic development and capital projects functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$725,456 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.



### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation capital loan notes, general obligation urban renewal tax increment financing (TIF) bonds and sewer revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Capital Loan Notes		General Obligation Urban Renewal Tax Increment Financing (TIF) Bonds		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 10,000	13,050	10,000	1,030	20,000	13,738	29,000	3,135	59,000	29,923
2010	10,000	12,600	10,000	520	30,000	13,088	30,000	2,430	70,000	28,118
2011	10,000	12,150	-	-	30,000	12,008	32,000	1,550	72,000	25,708
2012	10,000	11,700	-	-	35,000	10,896	34,000	510	79,000	23,106
2013	10,000	11,250	-	-	35,000	9,572	-	-	45,000	20,822
2014 - 2018	70,000	48,150	-	-	200,000	25,644	-	-	270,000	73,794
2019 - 2023	80,000	31,305	-	-	-	-	-	-	80,000	31,305
2024 - 2028	80,000	9,780	-	-	-	-	-	-	80,000	9,780
Total	\$ 280,000	149,985	20,000	1,550	350,000	84,946	125,000	7,625	755,000	242,556

#### Sewer Revenue Bonds

The City has pledged future sewer utility customer receipts, net of specified operating disbursements, to repay \$457,000 in sewer revenue bonds issued in January 1991. Proceeds from the bonds provided financing for construction. The bonds are payable solely from sewer utility customer net receipts and are payable through 2012. Net receipts are expected to not be less than 110% of principal and interest falling due in the same year. The total principal and interest remaining to be paid on the bonds is \$132,625. For the current year, principal and interest paid and total customer net receipts were \$32,170 and \$43,229, respectively.

The resolution providing for the issuance of the sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due. The City did not comply with this requirement.
- (c) Money in the sewer revenue fund shall first be disbursed to make deposits into a separate Sewer Utility Operation and Maintenance Fund to pay current expenses.

### (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 was \$12,890, equal to the required contribution for the year.

#### **(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2008, primarily relating to the General Fund, is \$2,800. This liability has been computed based on rates of pay in effect at June 30, 2008.

#### **(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 63,792
	Emergency	5,226
	Enterprise:	
	Sewer	3,500
	Water	3,500
		<u>76,018</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	29,454
	Capital Projects	14,014
	Enterprise:	
	Water	325
		<u>43,793</u>
Total		<u>\$ 119,811</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### **(7) Development Agreements**

The City entered into two development agreements to assist in urban renewal projects, as follows:

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City under this agreement is not to exceed the lesser of the amount of developer's improvement costs or \$250,000. Each payment represents the incremental property tax revenues received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The low and moderate set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2008, \$9,945 was rebated to the developer.

The City agreed to assist in urban renewal projects for the development of improvements to the sanitary sewer, water utility and street systems. The developer proposed to pay the initial costs of constructing the project improvements provided the City agreed to provide tax increment financing assistance to the developer to repay the costs over time. The City agreed to make annual payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City is not to exceed the developer's improvement costs or \$1,300,000. The agreement consists of three phases and the duration of the agreements extends for ten fiscal years for each of the three phases. Each payment represents the incremental property tax revenues received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The low and moderate set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2008, no payments were made to the developer.

**(8) Youth Athletic/Recreation Complex Agreements**

The City entered into an agreement with the Van Meter Community School District (School) on February 24, 2003 pursuant to Chapter 28E of the Code of Iowa to develop and improve a youth athletic/recreation complex. The School agreed to remit certain local option sales tax receipts to the City to be utilized to develop and improve the complex.

On January 12, 2004, the City entered into an agreement with the Van Meter Recreational Foundation (Foundation) to commit all of the funds it receives from the School pursuant to the 28E agreement to reimburse the Foundation for the costs incurred by the Foundation to build the complex. During the year ended June 30, 2008, the City received and disbursed local option sales tax of \$120,253 pursuant to the agreements.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Deficit Balance**

The Special Revenue, Housing Project CDBG/LMI Fund had a deficit balance of \$14,562 at June 30, 2008. The deficit balance was a result of delay in transfers from the Special Revenue, Urban Renewal Tax Increment Fund. The deficit will be eliminated during the next fiscal year when the transfers are made.

**(11) Subsequent Events**

In August 2008, the City issued \$300,000 of general obligation street improvement bonds and entered into construction contracts totaling \$370,471 for street projects. Road use tax receipts will be used to finance the costs in excess of \$300,000.

**City of Van Meter**

### **Required Supplementary Information**

City of Van Meter  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 260,073	-	-
Tax increment financing	63,600	-	-
Local option sales tax	120,253	-	-
Licenses and permits	8,677	-	-
Use of money and property	23,959	8,450	717
Intergovernmental	353,742	-	-
Charges for service	87,679	233,433	-
Miscellaneous	54,366	-	23,298
Total receipts	972,349	241,883	24,015
Disbursements:			
Public safety	150,581	-	23,762
Public works	150,643	-	-
Culture and recreation	182,790	-	-
Community and economic development	61,110	-	-
General government	91,195	-	-
Debt service	70,283	-	-
Capital projects	455,899	-	-
Business type activities	-	253,256	-
Total disbursements	1,162,501	253,256	23,762
Excess (deficiency) of receipts over (under) disbursements	(190,152)	(11,373)	253
Other financing sources, net	7,325	(7,325)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(182,827)	(18,698)	253
Balances beginning of year	851,818	243,464	14,554
Balances end of year	\$ 668,991	224,766	14,807

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
260,073	241,144	241,144	18,929
63,600	60,700	60,700	2,900
120,253	179,932	179,932	(59,679)
8,677	26,465	26,465	(17,788)
31,692	14,000	14,000	17,692
353,742	104,160	360,324	(6,582)
321,112	346,556	346,556	(25,444)
31,068	7,250	7,250	23,818
1,190,217	980,207	1,236,371	(46,154)
126,819	132,403	132,403	5,584
150,643	299,449	299,449	148,806
182,790	222,528	277,528	94,738
61,110	-	88,880	27,770
91,195	89,613	109,613	18,418
70,283	22,230	68,946	(1,337)
455,899	224,000	474,000	18,101
253,256	288,208	313,208	59,952
1,391,995	1,278,431	1,764,027	372,032
(201,778)	(298,224)	(527,656)	325,878
-	224,000	502,000	(502,000)
(201,778)	(74,224)	(25,656)	(176,122)
1,080,728	742,778	742,778	337,950
878,950	668,554	717,122	161,828

City of Van Meter

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$485,596. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function.

Also, disbursements exceeded budgeted amounts prior to budget amendment in the community and economic development and capital projects functions.



### **Other Supplementary Information**

City of Van Meter

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue		
	Parks and Recreation Trust	Employee Benefits	Van Meter Firefighters Association
Receipts:			
Property tax	\$ -	69,172	-
Tax increment financing	-	-	-
Use of money and property	744	-	717
Intergovernmental	-	-	-
Miscellaneous	6,256	-	23,298
Total receipts	7,000	69,172	24,015
Disbursements:			
Operating:			
Public safety	-	-	23,762
Public works	4,051	-	-
Community and economic development	-	-	-
Debt service	-	-	-
Total disbursements	4,051	-	23,762
Excess (deficiency) of receipts over (under) disbursements	2,949	69,172	253
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	(63,792)	-
Total other financing sources (uses)	-	(63,792)	-
Net change in cash balances	2,949	5,380	253
Cash balances beginning of year	21,051	21,829	14,554
Cash balances end of year	\$ 24,000	27,209	14,807
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
Special revenue funds	24,000	27,209	14,807
Total cash basis fund balances	\$ 24,000	27,209	14,807

See accompanying independent auditor's report.

Housing Project CDBG/LMI	Emergency	Urban Renewal Tax Increment	Library Trust	Park Trust Subdivision Trust	Debt Service	Total
-	5,180	-	-	-	4,525	78,877
-	-	63,600	-	-	-	63,600
-	-	-	574	828	-	2,863
46,548	-	-	655	-	8,760	55,963
-	-	-	-	-	-	29,554
46,548	5,180	63,600	1,229	828	13,285	230,857
-	-	-	-	-	-	23,762
-	-	-	-	-	-	4,051
61,110	-	-	-	-	-	61,110
-	-	9,945	-	-	60,338	70,283
61,110	-	9,945	-	-	60,338	159,206
(14,562)	5,180	53,655	1,229	828	(47,053)	71,651
-	-	-	-	-	43,793	43,793
-	(5,226)	(29,454)	-	-	-	(98,472)
-	(5,226)	(29,454)	-	-	43,793	(54,679)
(14,562)	(46)	24,201	1,229	828	(3,260)	16,972
-	3,495	71,746	12,885	21,260	4,305	171,125
(14,562)	3,449	95,947	14,114	22,088	1,045	188,097
-	-	-	-	-	1,045	1,045
(14,562)	3,449	95,947	14,114	22,088	-	187,052
(14,562)	3,449	-	95,947	14,114	22,088	188,097

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City of Van Meter  
Schedule of Indebtedness  
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds: Bridge improvement	Jun 11, 2007	4.50 - 4.90%	\$ 280,000
General obligation capital loan notes: Fire truck	Jul 1, 1999	4.40 - 5.20%	\$ 85,000
General obligation urban renewal tax increment financing (TIF) bonds:			
Water	May 1, 2005	3.25 - 4.15%	\$ 265,000
Sewer improvement	Dec 1, 2005	4.00 - 4.25	110,000
Total			
Revenue bonds:			
Sewer	Jan 17, 1991	3.00%	\$ 457,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
280,000	-	-	280,000	13,050
30,000	-	10,000	20,000	1,530
260,000	-	20,000	240,000	9,883
110,000	-	-	110,000	4,475
\$ 370,000	-	20,000	350,000	14,358
153,000	-	28,000	125,000	4,170

**City of Van Meter**

City of Van Meter  
Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	General Obligation Bonds		General Obligation Capital Loan Notes		Revenue Bonds	
	Bridge Improvement		Fire Truck		Sewer	
	Issued Jun 11, 2007		Issued Jul 1, 1999		Issued Jan 17, 1991	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	4.50%	\$ 10,000	5.10%	\$ 10,000	3.00%	\$ 29,000
2010	4.50	10,000	5.20	10,000	3.00	30,000
2011	4.50	10,000		-	3.00	32,000
2012	4.50	10,000		-	3.00	34,000
2013	4.50	10,000		-		-
2014	4.50	10,000		-		-
2015	4.50	15,000		-		-
2016	4.50	15,000		-		-
2017	4.50	15,000		-		-
2018	4.50	15,000		-		-
2019	4.50	15,000		-		-
2020	4.60	15,000		-		-
2021	4.70	15,000		-		-
2022	4.70	15,000		-		-
2023	4.80	20,000		-		-
2024	4.80	20,000		-		-
2025	4.90	20,000		-		-
2026	4.90	20,000		-		-
2027	4.90	20,000		-		-
Total		<u>\$ 280,000</u>		<u>\$ 20,000</u>		<u>\$ 125,000</u>

Year Ending June 30,	General Obligation Urban Renewal Tax Increment (TIF) Financing Bonds				
	Water		Sewer Improvement		Total
	Issued May 1, 2005		Issued Dec 1, 2005		
	Interest Rates	Amount	Interest Rates	Amount	
2009	3.25%	\$ 20,000	4.00%	-	\$ 20,000
2010	3.40	20,000	4.00	10,000	30,000
2011	3.55	20,000	4.00	10,000	30,000
2012	3.70	25,000	4.00	10,000	35,000
2013	3.90	25,000	4.00	10,000	35,000
2014	4.00	25,000	4.00	10,000	35,000
2015	4.00	25,000	4.00	15,000	40,000
2016	4.10	25,000	4.125	15,000	40,000
2017	4.15	25,000	4.125	15,000	40,000
2018	4.00	30,000	4.250	15,000	45,000
2019		-		-	-
2020		-		-	-
2021		-		-	-
2022		-		-	-
2023		-		-	-
2024		-		-	-
2025		-		-	-
2026		-		-	-
2027		-		-	-
Total		\$ 240,000		\$ 110,000	\$ 350,000

See accompanying independent auditor's report.

**City of Van Meter**





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Van Meter, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 3, 2008. Our report on the financial statements, which were prepared in conformity with other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Van Meter's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Van Meter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Van Meter's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Van Meter's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Van Meter's financial statements that is more than inconsequential will not be prevented or detected by the City of Van Meter's internal control. We consider the deficiencies in internal control described in the Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Van Meter's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Van Meter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

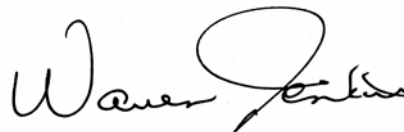
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Van Meter's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Van Meter's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Van Meter and other parties to whom the City of Van Meter may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Van Meter during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 3, 2008

**City of Van Meter**

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. A limited amount of individuals are responsible for the following areas:

- 1) Cash – bank reconciling, petty cash, change fund, handling and recording cash.
- 2) Receipts – collecting, depositing, journalizing, posting and daily reconciling. Also, a listing of receipts is not prepared by the mail opener.
- 3) Payroll – check writing, distribution, posting and personnel duties.
- 4) Long-term debt – recording, reconciling, and maintaining. Also, paid bonds and coupons are not reconciled by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, a listing of mail receipts should be prepared and reconciled to deposits by an independent person. Evidence of this review should be documented.

Response – With the change in the status for the deputy clerk from a 20 hour work week to a 30 hour work week starting in September 2008, we hope to distribute job duties with the goal of providing for better segregation of duties. The intent is also to bring more items to the Mayor or a designated council person for additional oversight.

Conclusion – Response accepted.

- (B) Van Meter Firefighters Association – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Van Meter Firefighters Association:

- 1) Cash – bank reconciling, handling and recording cash. Also, bank reconciliations are not reviewed by an independent person.
- 2) Receipts – depositing, journalizing, posting and daily reconciling. Also, no independent review is performed of the initial receipt listing.
- 3) Disbursements – check preparation and check signing, approving, recording and posting.

Also, the Firefighters Association does not have an accounting and procedures manual.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Van Meter Firefighters Association should review its control procedures to obtain the maximum internal control possible under the circumstances.

City of Van Meter

Schedule of Findings

Year ended June 30, 2008

The Van Meter Firefighters Association should implement an accounting and procedures manual.

Response – The Van Meter Firefighters Association will be asked to (1) designate one other Association officer to review financial transactions; (2) develop a brief guideline on who is responsible for receipts, checks written, reconciliation performed.

Conclusion – Response accepted.

- (C) Utility Billings, Collections and Delinquencies Policy – The City does not have a written policy on utility billings, collections and procedures for delinquent accounts. Utility billings, collections and delinquencies are reconciled monthly. However, the monthly utility billing reconciliations are not reviewed by an independent person.

Recommendation – The City should adopt a written policy on utility billings, collections and procedures for delinquent accounts. The monthly utility billing reconciliations should be reviewed by an independent person.

Response – Our intent is to develop a written policy with the City code used as the basis for procedures for billings, collections, and delinquent accounts. An independent person will review the monthly utility billing reconciliations.

Conclusion – Response accepted.

- (D) Computer Controls – The City does not have policies and procedures regarding the use and operation of the City's computer system. The following were noted:

- The computer system does not prompt/require the user to change passwords every 60 to 90 days. In addition, no procedures exist to ensure only authorized personnel can request resetting passwords. Also, there is no policy instructing employees to maintain password privacy, including not sharing passwords with the employee's supervisor.
- City does not have a formal information system policy.
- The City does not have a formal written policy on internet usage.

Recommendation – The City should establish policies and procedures regarding the use and operation of its computer system. These policies and procedures should, at a minimum, address the conditions identified above.

Response – The internet usage policy will be incorporated into an update of our personnel policy – a draft of that has been underway, but not yet approved. We will investigate the adoption of an information system policy. The software provider will be contacted to see if revisions can be made to the current system to allow for the periodic change of passwords. Information concerning the responsibility to maintain a secured password will be incorporated in the City's "Clerk Manual."

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2008

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2008

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Also, disbursements exceeded budgeted amounts prior to budget amendment in the community and economic development and capital projects functions.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This will be monitored more closely.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney’s General opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Bob Lacy, Council Member, Owner of Bob’s Auto Parts	Parts and supplies	\$ 471

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2008

- (8) Sewer Revenue Bonds – The provisions of the sewer revenue bonds require sufficient monthly transfers be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

The City did not make the required monthly transfers to the revenue bond sinking account.

Recommendation – The City should make sufficient monthly transfers to the revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

Response – This will be done.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue, Housing Project – CDBG/LMI Fund had a deficit balance at June 30, 2008 of \$14,562.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – Following additional receipts and disbursements recorded for the CDBG/Housing Project in August, at the September 2008 meeting the Council will adopt a resolution transferring tax increment/LMI funds for the City's share of the CDBG/Housing project as outlined in the grant proposal. This will eliminate the deficit balance.

Conclusion – Response accepted.



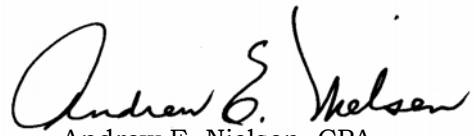
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City of Van Meter

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Tracy L. Daugherty, CPA, Senior Auditor  
Joshua B. Ludwig, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State